THE SCHAFER GROUP, LTD.

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NOLA ECONOMIC DEVELOPMENT CORPORATION

(AUDIT REPORT)

DECEMBER 31, 2002

CERTIFIED PUBLIC ACCOUNTANTS

NOLA ECONOMIC DEVELOPMENT CORPORATION
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Independent Auditor's Report

Board of Directors
NOLA Economic Development Corporation

We were engaged to audit the statement of net assets in liquidation of NOLA Economic Development Corporation (a Louisiana non profit organization) as of December 31, 2002, and the related statement of changes in net assets in liquidation for the period from August 21, 2002 through December 31, 2002 and the statements of activities and cash flows for the period from January 1, 2002 through August 20, 2002. These financial statements are the responsibility of the organization's management.

As described in Note 1 to the financial statements, the Board of Directors approved a plan of liquidation effective August 20, 2002 and ceased operations on that date. As a result, the organization has changed its basis of accounting for periods subsequent to August 20, 2002 from the going-concern basis to a liquidation basis.

We were unable to obtain a discussion of pending or threatened litigation from the Corporation's outside legal counsel.

Because we were unable to obtain a discussion or evaluation of pending or threatened litigation from the Corporation's outside legal counsel, as discussed in the preceding paragraph, the scope of our work was not sufficient to allow us to express, and we do not express, an opinion to the financial statements referred to in the first paragraph.

Sincerely,

THE SCHAFER GROUP, LTD.

Kernion T. Schafer, President
Certified Public Accountant

September 29, 2003

NOLA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS IN LIQUIDATION
DECEMBER 31, 2002

ASSETS	
Cash	$ 51,736
Accounts Receivable	4,767
Unexpired Insurance	1,150
	$ 57,653
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts Payable	$ 2,114
Net Assets	
Unrestricted	55,539
	$ 57,653

The accompanying notes are an integral part of these statements.

NOLA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
JANUARY 1 THROUGH AUGUST 20, 2002

	Unrestricted	Permanently Restricted	Total
REVENUES			
Special Events	$ 5,425	$ -	$ 5,425
Interest	966	-	966
	6,391	-	6,391
EXPENSES			
Program Expenses			
Personnel Expenses:			
Salaries	63,572	-	63,572
Payroll Taxes	4,154	-	4,154
Fringe Benefits	19,287	-	19,287
Forfeiture of Donated Property	--	2,100,000	2,100,000
Public Relations	1,500	-	1,500
Total Program Expenses	88,513	2,100,000	2,188,513
Management and General Expenses			
Personnel Expenses:			
Salaries	7,064	-	7,064
Payroll Taxes	462	-	462
Fringe Benefits	2,143	-	2,143
Auto Allowance & Parking	5,893	-	5,893
Accounting & Auditing Fees	46,079	-	46,079
Depreciation	366	-	366
Insurance	1,466	-	1,466
Legal Fees	15,027	-	15,027
Miscellaneous	116	-	116
Office Supplies & Postage	772	-	772
Telephone	915	-	915

NOLA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
JANUARY 1 THROUGH AUGUST 20, 2002

Total Management & General Expenses	80,303	-	80,303
Total Expenses	168,816	2,100,000	2,268,816
Decrease in Net Assets	(162,425)	(2,100,000)	(2,262,425)
Net Assets at Beginning Of Period	220,617	2,100,000	2,320,617
Net Assets at End of Period	$ 58,192	$ -	$ 58,192

The accompanying notes are an integral part of these statements.

NOLA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION
AUGUST 21 THROUGH DECEMBER 31, 2002

	Unrestricted	Permanently Restricted	Total
REVENUES	$ -	$ -	$ -
EXPENSES			
Insurance Valuation Adjustment	822	-	822
Lost Equipment	1,831	-	1,831
	2,653	-	2,653
Decrease in Net Assets	(2,653)	-	(2,653)
Net Assets at Beginning of Period	58,192	-	58,192
Net Assets at End of Period	$ 55,539	$ -	$ 55,539

The accompanying notes are an integral part of these statements.

NOLA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
JANUARY 1 THROUGH AUGUST 20, 2002

	Unrestricted	Permanently Restricted	Total
CASH FLOWS USED BY OPERATING ACTIVITIES			
Decrease in Net Assets	$(162,425)	$(2,100,000)	$(2,262,425)
Adjustments to reconcile Decrease in net assets To cash used for Operating Activities			
Depreciation	366	-	366
Forfeiture of Donated Property	-	2,100,000	2,100,000
(Increase) Decrease in Assets			
Decrease in Rents Receivable	186,030	-	186,030
Decrease in Allowance for Doubtful Accounts	(186,030)	-	(186,030)
Increase in Prepaid Insurance	(1,055)	-	(1,055)
Increase (Decrease) in Liabilities			
Accounts Payable	2,727	-	2,727
Accrued Expenses	(7,046)	-	(7,046)
Payroll Tax Liability	(1,959)	-	(1,959)
Net Cash Used by Operating Activities	(169,392)	-	(169,392)
Net Decrease in Cash	(169,392)	-	(169,392)
Cash, Beginning of Period	234,777	-	234,777
Cash, End of Period	$ 65,385	$ -	$ 65,385

The accompanying notes are an integral part of these statements.

NOLA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. Organization and Significant Accounting Policies

A. Organization

NOLA Economic Development Corporation (NOLA) is a nonprofit corporation domiciled in New Orleans, Louisiana. The organization was incorporated in July of 1998 for the purpose of alleviating conditions of unemployment, underemployment and other forms of economic distress affecting the Economic Development Area (designated as the "City of New Orleans). NOLA was developed to participate in the development of the Jazzland Theme Park project and to actively promote the Economic Development Area as an area for the establishment of new businesses or the relocation of existing businesses.

B. Jazzland Agreement

On July 10, 1998 NOLA entered into an agreement with Jazzland, Inc. Under the agreement, Jazzland donated two parcels of land comprising the site of the future Jazzland Theme Park in exchange for the execution of a Lease agreement for the same property and the execution of a Cooperative Endeavor Agreement wherein NOLA agreed to provide Jazzland, Inc. with the proceeds of a $10 million State Grant, made to the City of New Orleans, to be used for the construction and development of the Jazzland Theme Park.

The agreement provided that the transfer would be automatically rescinded and the property would revert to Jazzland, Inc., without any consideration to NOLA, upon the termination of the Lease Agreement or the occurrence any of several other conditions.

On February 26, 2002, the owners of Jazzland, Inc. filed a petition for bankruptcy in federal court. The final order issued by the Bankruptcy Court terminated the lease between NOLA and Jazzland, Inc. and ordered the return of the Park Property by NOLA. The theme park was transferred to a subsidiary of Six Flags, Inc. and no amounts were paid or payable to NOLA.

C. Liquidation

Following the termination of the lease with Jazzland, Inc., the Board of Directors approved a plan of liquidation effective August 20, 2002 and NOLA ceased operations on that date.

D. Basis of Accounting

The organization changed its basis of accounting for periods subsequent to August 20, 2002 from the going-concern basis to the liquidation basis. Under the liquidation method, assets and liabilities are adjusted to their net realizable value.

E. Equipment

For periods prior to August 21, 2002, equipment was recorded at cost. Depreciation was calculated using the straight-line method to relate the cost of depreciable assets to operations over their estimated useful lives of six years.

Equipment with a net book value of $1,831 was written off in connection with the liquidation because management officials are unable to locate it or otherwise explain its disposition.

F. Allowance for Doubtful Accounts

NOLA utilizes the allowance method for bad debts. All amounts due from Jazzland were written off against the allowance account. All other accounts and claims receivable were collected subsequent to December 31, 2002 and no allowance is required. There were no charges to provision for bad debts for the periods from August 21, 2002 through December 31, 2002 and from January 1, 2002 through August 20, 2002.

G. Cash and Cash Equivalents

NOLA considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

H. Functional Allocation of Expenses

Expenses have been reported by their functional classification in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

I. Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Income Taxes

NOLA is exempt from federal income taxes under Section 501 (a) of the Internal Revenue Code.

2. Retirement Plan

NOLA established a Simplified Employee Pension IRA (SEP-IRA) covering all of its employees. Contributions of $8,996 were made to the plan during the period from January 1, 2002 through August 20, 2002.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
NOLA Economic Development Corporation

We have audited the basic financial statements of NOLA Economic Development Corporation as of December 31, 2002 and for the period from August 21, 2002 through December 31, 2002 and January 1, 2002 through August 20, 2002, and have issued our report thereon dated September 29, 2003, which contained a disclaimer of opinion. Except as discussed in our report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether NOLA Economic Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 02-1, 02-2, and 02-3.

We also noted one immaterial instance of noncompliance that we have reported to management of NOLA Economic Development Corporation in a separate letter dated September 29, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NOLA Economic Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect NOLA Economic Development Corporation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 02-1 and 02-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, 02-2 to be a material weakness.

This report is intended solely for the information and use of the Board of Directors, Liquidator, management, the City of New Orleans and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

THE SCHAFER GROUP, LTD.

Kernion T. Schafer, President
Certified Public Accountant

September 29, 2003

NOLA ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2002

02-1: Lost Equipment

Condition: During our review of property and equipment, we learned that NOLA was unable to locate or explain the disposition of computer equipment with a book value of $1,831. The equipment was originally purchased in 2000 at a cost of $3,295

Effect: Assets were lost

Cause: Movable equipment was not properly safeguarded when NOLA ceased operations.

Recommendation: We recommend that all movable property be properly tagged and assigned to specific individuals if not placed in secure storage. We also recommend that you file a police report and pursue reimbursement for this loss under any applicable insurance policy that was in effect during the year ended December 31, 2002.

02-2: Documentation Not on File

Condition: During our search for unrecorded liabilities, we noted that NOLA made a grant payment of $30,000 in May 2003. No documents were on file to support this payment. There were no grant application documents, no indication of the period covered, no explanation of the purpose or intended use by the grantee, and there was no indication of any approval of the grant by either NOLA's Board of Directors or the City Council.

Although the final budget for NOLA's dissolution (approved August 22, 2002) included "Other Operating Expenses" of $30,000, there was no reference to any grant or to any payment of this type.

Effect: We were unable to determine the nature or purpose of the grant or whether it should have been reflected as an expenditure of 2002 or 2003.

Cause: An expenditure was made without proper approval.

Recommendation: We recommend that no expenditures be made without proper approvals and documentation.

02-3: Delinquent Filing

Condition: Our audit was delayed because we were not provided timely access to minutes, budgets, city council approvals and various legal documents.

Effect: The audit report for the year ended December 31, 2002 was delinquent since it was not completed and filed with the Legislative Auditor within six months after the end of the period as required by state law.

Cause: The organization ceased operations, terminated its employees and placed all records and documents, except for accounting and banking records, in long-term storage.

Recommendation: We recommend that any information or documents requested in connection with future audits be made available on a timely basis.

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IX.

To the Board of Directors
NOLA Economic Development Corporation

MANAGEMENT LETTER

We have audited the basic financial statements of NOLA Economic Development Corporation as of December 31, 2002 and for the period from August 21, 2002 through December 31, 2002 and January 1, 2002 through August 20, 2002, and have issued our report thereon dated September 29, 2003 which contained a disclaimer of opinion. Except as discussed in our report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

As a part of our examination, we have issued our report on the financial statements, dated September 29, 2003, which contained a disclaimer of opinion, and our report on internal control and compliance with laws, regulations, and contracts, dated September 29, 2003.

During the course of our examination, we became aware of the following matter which represents immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 2002-1: Cash Management

Condition: We noted during our audit that the organization's bank balance were in a non-interest bearing checking account

Effect: Interest earnings were forgone

Cause: When operations were curtailed, no revisions were made to NOLA's cash management plan.

Recommendation: We recommend that idle funds be placed in interest bearing accounts until required in connection with payment of final liquidating expenses.

We recommend management address the foregoing issue as an improvement to operations and the administration of public programs. We are available to further explain the suggestion or help implement the recommendation.

THE SCHAFER GROUP, LTD.

Kernion T. Schafer, President
Certified Public Accountant

September 29, 2003

NOLA ECONOMIC DEVELOPMENT CORPORATION

CORRECTIVE ACTION PLAN
December 31, 2002

MANAGEMENT'S RESPONSE

Findings and Questioned Costs
02-1: Lost Equipment

When NOLA ceased operations and terminated its employees, City personnel responsible for the liquidation were not involved in moving the various files and documents to storage and were not aware of the existence of any equipment requiring safeguarding.

There is no other equipment owned by NOLA and none will be purchased. No corrective action can be taken on this matter. We are currently in the process of reviewing our insurance policy coverage of lost and/or stolen equipment/property. In addition, we are also considering filing a police report on this incident.

02-2: Documentation Not on File

Although no documents were on file relative to this grant, it was our understanding that the expenditure was properly authorized by its inclusion in the final dissolution budget of NOLA as "Other Operating Expenses". Since NOLA is currently in liquidation and no other expenditures of this type are anticipated, no corrective action can be taken on this matter.

Findings and Questioned Costs

02-03: Delinquent Filing

Since its inception, the accounting and banking records of the organization have been maintained by a firm of Certified Public Accountants.

When NOLA ceased operations and terminated its employees, City personnel responsible for the liquidation were not involved in moving the various files and documents to storage.

The accounting records were readily available and we did not anticipate the auditor's need to access any of the various items which had been placed in long term storage. It was necessary for us to reassign our personnel from their regular duties to first locate all of the storage boxes containing the organization's files and then search and catalog the contents before we were able to furnish the information and documentation requested. This process was rather time consuming and the regular duties and responsibilities of our office prevented us from completing it as promptly as we would have liked.

Since the files and documents have now been properly located and cataloged and we do not expect a reoccurrence of this issue, no corrective action is required.

Management Letter Suggestion
2002-1: Cash management

The liquidation of NOLA was expected to be completed in a short period of time and the amount of potential interest earnings was not considered significant. The amount of cash on deposit at this time is not substantial enough to warrant the establishment of any type of investment account. No corrective action will be taken on this matter.

NOLA ECONOMIC DEVELOPMENT CORPORATION

SUMMARY OF PRIOR YEAR FINDINGS
December 31, 2002

01-1: Documentation Not on File

Due to the cessation of operations and planned liquidation of NOLA, no significant services of this type were utilized during 2002.

01-2: Supporting Service Costs

Due to the bankruptcy of Jazzland and the resulting loss of revenue, which required the cessation of operations and the anticipated liquidation of NOLA, no significant funds were available for economic development grants. The lack of revenue caused supporting service costs to be high in relation to program expenditures.

01-3: Check Signatures

We noted no instances of multiple check issuances for the purpose of circumventing signature authorization limits. In connection with the adoption of a liquidation plan new higher signature requirements were established.